



## CONNECTICUT

**TESTIMONY OF  
NATIONAL FEDERATION OF INDEPENDENT BUSINESS (NFIB)  
REGARDING  
SB-946, AAC REVENUE ITEMS TO IMPLEMENT THE GOVERNOR'S BUDGET  
FINANCE, REVENUE & BONDING COMMITTEE  
MARCH 9, 2015**

*A non-profit, non-partisan organization founded in 1943, NFIB is Connecticut's and the nation's leading small-business association. In Connecticut, NFIB represents thousands of members and their employees. NFIB membership is scattered across the state and ranges from sophisticated high technology enterprises to "Main Street" small businesses to single-person "Mom & Pop" shops that operate in traditional ways. NFIB's mission is "To promote and protect the right of its members to own, operate, and grow their businesses." On behalf of those small- and independent- job-providers in Connecticut, NFIB/Connecticut offers the following comments:*

**Section 21 (Business Entity Tax Repeal):** NFIB/Connecticut strongly supports the full repeal of the Business Entity Tax (BET). This tax started as a "temporary" \$250 tax on small businesses simply for their existence in the state of Connecticut, whether profitable or not, to help defray a budget deficit. It was intended to be "sunset", recognizing that it was particularly burdensome and an affront to Connecticut's small businesses. This tax is one of many that is heaped upon small businesses and makes it difficult for individuals to own, operate or grow a small business. The BET is levied on top of the numerous other taxes and fees that small businesses must pay in this state, including costs associated with state and local permits and licenses related to the business, sales taxes for goods and services, property taxes and personal income taxes - taxes and fees that are considerably higher than most other states. While some might be dismissive of the BET as being "nominal", to most small business owners - who operate on very thin profit margins - an extra \$250 back in their pocket would be more than welcome and is useful. For a small business, it could pay for a monthly utility bill, fund some advertising or marketing, or purchase a new printer or piece of office equipment, etc. Beyond the cost savings, fully repealing the BET would be notable for the message that it sends to small business in Connecticut and outside our state as well.

**Sections 22 - 24 (SOTS Filing Fee Increases):** NFIB has concerns with these sections, which would significantly increase various business filing fees for small businesses when making such filings with the Office of the Secretary of State. A 400% increase in annual filing fees for small businesses would nearly negate the impact of the repeal of the Business Entity Tax contained in Section 21.

**Other:** Regarding the corporate tax surcharge, NFIB is concerned from a macroeconomic perspective about what permanently higher corporate tax rates will mean for business and the economy as whole in the state of Connecticut. For business owners, small or large,



## CONNECTICUT

consistency and stability within the tax code and the state budget is essential for proper planning and ongoing operation of a business.

Furthermore, SB-946 is also notable for what is *NOT* contained therein – any increases to the state personal income tax. The Governor and others have correctly recognized that increasing the income tax this year and creating additional brackets and accompanying rates will do absolutely nothing to stimulate the economy and provide immediate relief to small business owners—something desperately needed especially during the current difficult economic times. Providing economic relief and certainty to Connecticut’s job creators should be the number one goal of the legislature this session. Tax policy should be used to help stimulate, not stymie, job growth and the state’s economy. The state income tax rate has become an increasingly significant part of small business’ cost of doing business in Connecticut. More and more small and independent businesses are paying their taxes just like individuals due to the growth in sole proprietorships, partnerships and Subchapter S corporations. In Connecticut, as of 2012, the share of private sector employment by pass through entities is approximately 53%, according to the Tax Foundation based upon the Census Bureaus’ statistics. As more small and independent businesses pay individual income taxes, fewer state revenue dollars are derived from the corporate taxes. The Connecticut personal income tax rate thus has far a greater impact on job growth and other macro-economic factors, particularly in the critical small business sector. Reduction in the rate will spur new job growth among the state's job creators, while *an increase in the rate will only further stagnate our state's economy.* As such, NFIB/Connecticut urges the Finance Committee and the legislature as a whole to reject consideration of any proposals to increase the income tax in this session.

Thank you for the opportunity to comment.